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REPORT

CD NO

50X1-HUM

COUNTRY Czechoslovakia
SUBJECT Economic - Finance
HOW PUBLISHED Mimeographed bulletin
WHERE PUBLISHED Belgrade
DATE PUBLISHED 26 Nov 1949
LANGUAGE Serbo-Croatian

DATE OF INFORMATION 1949

DATE DIST. *RS* Mar 1950

NO. OF PAGES 2

SUPPLEMENT TO
REPORT NO.

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SOURCE Bilten Narodne Banke FNRJ, No 5, 1949, issued by National Bank of Yugoslavia.

REORGANIZATION OF FINANCIAL CONTROL IN CZECHOSLOVAKIA

The Bulletin of the National Bank of Yugoslavia from which the following was taken bore the legend, "For Personal Use Only."

The nationalization of a predominant portion of the Czechoslovak economy has been charged to the Ministry of Finance, in addition to the budget and responsibility for the currency and all activity of nationalized banks, factories, wholesale trade, transportation, and agriculture. The Ministry of Finance shares its minor responsibilities with the appropriate ministries, by means of an executive body, the State Planning Office. Recently, J. Dolansky, former Minister of Finance, was appointed head of this office. The task of the State Planning Office is to reorganize the entire Czechoslovak economy according to the pattern of the Soviet system. Appropriate "obligatory plans" will be worked out in the State Planning Office on the basis of very detailed, plan proposals. These plans will be transmitted to the various ministries and other organizations in the form of orders.

It is the duty of the Ministry of Finance to finance this planned economy and to exercise control over the fulfillment of the plan. Two basic reforms are to aid the ministry in this matter. One of these is the introduction of the "general tax," which has replaced the former tax on business and which henceforth will constitute the main income of the state. The second reform is the concentration of all banking into one State Bank. Not only the Zivnostenska Bank and the Tatra Bank, but also the Postal Savings Bank and the Narodni Banka (National Bank) will be merged. One special bank for investments, the Investment Bank, will remain, as well as a network of small savings banks. These small savings banks will be under the management of a central state office. They will take care of private savings, but they can no longer make loans to private individuals or merchants.

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The control of the crown is the means by which the Ministry of Finance has assumed full authority over the financial market. The secretary of the Central Federation of Industry, Tomas Pasek, made the following statement:

"From now on, every state enterprise will operate according to a plan approved from above which contains information on estimated receipts and expenditures for the year and for shorter periods. The State Bank will control the fulfillment of this financial plan on the basis of detailed reports which it will receive from each enterprise, in order to be sure that the money allotted to the enterprise is used according to the plan, and in order to discover any defects in financial operations. These defects will serve as the subject of a thorough study of the real reasons for nonfulfillment of the economic plan by any enterprise. In order that this control might be exercised, an extensive apparatus is necessary, which includes not only the financing bank and the enterprise being financed, but, indirectly, all suppliers and consumers."

Industry, which is already 96 percent nationalized, must conclude written agreements with its suppliers and submit them automatically to the bank. In this way the bank immediately learns the condition of the controlled enterprises, and it also has control over the suppliers of those enterprises. The profitability of a state enterprise will be measured, and then it will be determined whether or not the enterprise shall immediately pay the general tax. Therefore, it will be necessary to reorganize bookkeeping and to train many new cadres. If this system proves successful, it will be possible for individual enterprises actually to be controlled over short periods of time and for confusion, mistakes, and failures to be discovered.

Czechoslovakia has been following the pattern set by the Soviet Union since 1931, and it is hoped that it will thus be able to save itself the price of learning by experience. Wages and all other expenditures, as well as selling prices, are fixed by the plan; the Ministry of Finance considers such measures sufficient for the stability of the currency. However, this holds true only internally. The value of the crown abroad depends on other factors; especially, on the fulfillment of tasks in regard to the supply of foreign credits necessary for importing raw materials and machinery, and also other products, as well as for exports. If control of the crown is connected with the control of the Organization for Foreign Trade, and primarily from the standpoint of quality and maintenance of delivery deadlines, it is considered that positive results will not be lacking. -- (From the Neue Zürcher Zeitung, 16 November 1949) RV

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